

CITY OF ACKWORTH

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
AUGUST 1, 2014 THROUGH JULY 31, 2015**

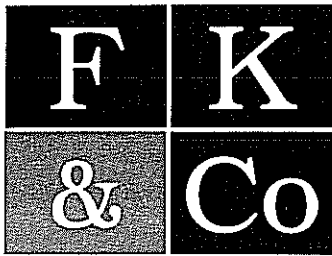
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City of Ackworth

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Berge	Mayor	Jan 2016
Walter Walker	Council Member	Jan 2018
Cynthia Nutting	Council Member	Jan 2016
James Kingkade, Jr	Council Member	Jan 2018
Archie Byers	Council Member	Jan 2018
John Putney	Council Member	Resigned
Charles Williams	Council Member	Jan 2016
Diana Aldridge	City Clerk	Indefinite



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Ackworth for the period August 1, 2014 through July 31, 2015. The City of Ackworth's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions and reporting of unclaimed property to the State of Iowa.
8. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
9. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
10. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Ackworth, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ackworth and other parties to whom the City of Ackworth may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Ackworth during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co, PLC

November 17, 2015

CITY OF ACKWORTH

DETAILED RECOMMENDATIONS

For the period August 1, 2014 through July 31, 2015

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparation and distribution.
5. Financial reporting – preparing and reconciling.
6. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) City Council Minutes – The following were identified:

- City Council meeting agendas were not posted as required by Chapter 21.4 of the Code of Iowa.
- All four City Council meetings tested were not signed as required by Chapter 380.7 of the Code of Iowa.
- Chapter 372.13(6) of the Code of Iowa requires the posting of the City Council minutes to include the total disbursements from each city fund, a summary of all receipts and the reason for the claims. We noted that this requirement was not met by the City for all four meetings tested.

Recommendation – The City should comply with Chapters 21.4, 380.7 and 372.13(6) of the Code of Iowa. In addition, the City should ensure all minutes and agendas are posted and that the posting of the City Council minutes include total disbursements from each city fund, a summary of all receipts and the reason for the claims, as required.

CITY OF ACKWORTH

DETAILED RECOMMENDATIONS

For the period August 1, 2014 through July 31, 2015

- (C) Clerk's Report – The City Council does not review the Clerk's report on a monthly basis. The Clerk's report does not include a budget vs actual comparison.

Recommendation – To improve financial accountability, the Clerk's report should be reviewed by the City Council at each monthly meeting. Also, the City should establish procedures to ensure the monthly Clerk's reports include a budget vs actual comparison.

- (D) Official Depositories – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.

- (E) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the public safety function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation." Also, the budget was not passed by March 15th as required by Chapter 384.16 of the Code of Iowa.

Recommendation – The budget should have been adopted by March 15th and should have been amended in accordance with Chapter 384.18 of the Code of Iowa.

- (F) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (G) Disbursements – The City Council approved disbursements at each monthly meeting however 1 of the 30 invoices tested did not get approved by the City Council.

Recommendation – All invoices should be approved by the City Council.

CITY OF ACKWORTH

DETAILED RECOMMENDATIONS

For the period August 1, 2014 through July 31, 2015

- (H) Bank Reconciliations – There was no evidence the cash balances in the City's general ledger were reconciled to bank account balances throughout the year. For one of the two months reviewed, the bank balance was \$117 higher than the book balance; for the other month reviewed, the bank balance was \$184 lower than the book balance.

Recommendation – The City should establish procedures to ensure bank account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely.

- (I) Payroll – The following were identified:

- We could not locate City Council approval of the wage rates for all employees tested.
- The Mayor, City Council members and City Clerk are being treated as independent contractors, instead of through payroll as employees.
- The City did not prepare any IRS Forms 1099 for the year ended December 31, 2014. We noted that the City should have issued a Form 1099.

Recommendation – The City Council should approve pay rates for all City employees, with the approval documented in the City Council minutes. In addition, the City should ensure that the Mayor, City Council members and City Clerk are treated as employees and paid through payroll, with all applicable taxes withheld.

Also the City should file IRS Forms 1099 when applicable.

- (J) Sales Tax – The City paid sales tax on an invoice. Iowa governments are not required to pay sales tax on purchases.

Recommendation – The City implement procedures to ensure sales tax is not paid on future purchases.